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FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly the report of the Board of Auditors on the implementation of previous recommendations of the Board in accordance with paragraph 13 (a) of General Assembly resolution 45/235 of 21 December 1990 (see annex).

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* A/46/50.

ANNEX

Report of the Board of Auditors on the implementation of previous recommendations of the Board as requested by the General Assembly in paragraph 13 (a) of its resolution 45/235

Letter of transmittal

2 July 1991

Sir,

I have the honour to transmit to you, in accordance with the request by the General Assembly in paragraph 13 (a) of resolution 45/235, the report of the Board of Auditors on the implementation of previous recommendations of the Board.

Accept, Sir, the assurances of my highest consideration.

(Signed) Heinz Günter ZAVELBERG
President of the Federal Court
of Audit of Germany
and Chairman
United Nations Board of Auditors

The Secretary-General of the United Nations
New York, N.Y.

Introduction

1. In paragraph 13 (a) of its resolution 45/235 of 21 December 1990, the General Assembly requested the Secretary-General and the executive heads of the United Nations organizations and programmes to submit to their respective governing bodies, as well as to the General Assembly at its forty-sixth session, detailed progress reports on steps taken to implement previous recommendations of the Board of Auditors and the related recommendations of the Advisory Committee on Administrative and Budgetary Questions and to explain if any of those recommendations have not yet been implemented, and requested the Board and the Advisory Committee to evaluate the efficacy of those measures, and to report thereon to the General Assembly at its forty-sixth session.

2. The Board was provided with the reports prepared by the administrations in reply to the above request of the General Assembly. The comments of the Board are contained in its reports to the General Assembly on the accounts of the following organizations for the year ended 31 December 1990: UNITAR, UNRWA and UNHCR. In addition, interim reports were prepared by the Board for the first year of the biennium 1990-1991 on UNDP, UNFPA and ITC which, with the exception of ITC, also contain the comments of the Board on the implementation of its previous recommendations. In the case of ITC, the implementation of previous recommendations and the Board's comments thereon are found at the end of the present report.

3. The paragraphs that follow contain the replies from administrations, and corresponding comments of the Board, of organizations on a biennial basis and for which reports of the Board of Auditors to the General Assembly will only be prepared at the end of the present biennium 1990-1991.

United Nations Headquarters
(Supplement No. 5 (A/45/5, vol. 1))

Recommendation 9 (a) of the Board report

4. Utmost importance should be given to the budget performance report to prevent the exceeding of appropriations. Further improvement of techniques for estimating the salaries portion of the appropriation, especially in the final performance report, could minimize the incidence of transfers between sections of the budget.

Measures taken by Administration

5. The Administration stated that the Advisory Committee on Administrative and Budgetary Questions in its report (A/45/570, para. 11), confirmed that it had approved the transfers between sections of the 1988-1989 budget.

6. With respect to the formulation of future budgets, the Administration agreed that there should be improved forecasting and further improvements in other administrative techniques to minimize transfers between sections of the budget.

Findings and comments of the Board of Auditors

7. During the interim audit for the year ended 31 December 1990, the Board has noted some efforts exerted by the Administration in minimizing transfers between sections of the budget. This recommendation, however, will still be followed up and specific steps taken will be identified in subsequent audits.

Recommendation 9 (b) of the Board report

8. Final outputs should be described clearly or quantified in the programme budget and in the programme performance report.

Measures taken by Administration

9. The Administration stated that it is not always possible to define outputs accurately, nor can certain activities be easily translated into quantifiable outputs in the programme performance report. It is also their view that the costing of outputs involves a number of technical problems. The Advisory Committee, after taking note of the statements of the Administration, expressed the hope that such factors will be taken into account by the Board of Auditors in their examination of the application of the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation.

10. The Administration fully concurred with the recommendations of the Board on the need for comprehensive performance reporting and agreed that outputs funded totally or partially from extrabudgetary resources should be part of the performance report. Hence, these issues were addressed in the context of the preparation of the 1992-1993 programme budget.

Findings and comments of the Board of Auditors

11. While the Board realizes the predicaments involved in the quantification of outputs in the programme budget and in the programme performance report, it cannot dispense with the standards by which performance and resource utilization should be evaluated. For this is the essence of programme performance budgeting which is to ensure that resources are utilized in the most economical and efficient manner in the achievement of the Organization's objectives.

12. The Board shall continue to evaluate the implementation of this audit recommendation and review the same in the light of the predicaments presented by the Administration.

Recommendation 9 (c) of the Board report

13. Consultation among offices and organizations should be increased in the preparation of estimate of extrabudgetary resources.

Measures taken by Administration

14. Administration agreed that there should be a closer review of submitted estimates with respect to extrabudgetary resources.

Findings and comments of the Board of Auditors

15. Evaluation of the impact of this recommendation will require more time and study on the part of the auditors. Hence, this will be pursued in future audits.

Recommendation 9 (d) of the Board report

16. Guidelines should be provided in the rendition and payment of overtime and for rationalizing the work schedule of the Security and Safety Services at Headquarters, in order to minimize costly work done before or after the prescribed official time.

Measures taken by Administration

17. This recommendation was immediately implemented. Guidelines prescribing security coverage on holidays were issued and the practice of claiming overtime payment when reporting for scheduled work one or two days immediately following a United Nations holiday was immediately discontinued.

Findings and comments of the Board of Auditors

18. No further comment, but the implementation of the guidelines will be reviewed in future audits.

Recommendation 9 (e) of the Board report

19. Incur expenditures only if covered by allotment. Identify over-expended allotments and take remedial measures.

Measures taken by Administration

20. The Administration has taken note of this recommendation and wished to assure the Board that when over-expended allotments are identified remedial measures are taken. They stated, however, that until such time as new automated systems improve the timeliness of information processing, they will be faced with cases in which over-expenditures may come to light only when the allotment has been exceeded.

Findings and comments of the Board

21. During the interim audit of the year 1990, the Board noted that, although there was effort to control expenditures within the allotment issued, the practice persisted especially in some unforeseen circumstances. This recommendation will be reviewed in future audits.

Recommendation 9 (f) of the Board report

22. Instruct the Office of the Coordinator for the United Nations Humanitarian and Economic Assistance Programmes relating to Afghanistan to furnish the Finance Service of the United Nations Office at Geneva with all documents regarding confirmed pledges for recording in the appropriate account, and to reconcile its accounts with the latter.

Measures taken by Administration

23. Administration reported that efforts have been made, and are still being made, to reconcile the reporting of pledges to the Afghanistan Emergency Trust Fund with those pledges made, and thereby provide a greater transparency in this area.

Findings and comments of the Board of Auditors

24. This recommendation is being initially implemented only; comments will be provided after a review of the reconciliation is made.

United Nations Children's Fund
(Supplement No. 5B (A/45/5/Add.2))

25. As requested in paragraph 13 (a) of General Assembly resolution 45/235 we have reviewed UNICEF document E/ICEF/1991/AB/L.3 dated 20 February 1991 on the status of actions taken to implement the recommendations of the Board made in its report on UNICEF for the biennium ended 31 December 1989.

Recommendation No. 1 of the Board report

26. The total charge of $8.3 million on the Emergency Reserve Fund for the biennium, which was distributed among general resources programme expenditures in the beneficiary countries to the Fund, should be adjusted and disclosed separately in statement VI.

Measures taken by Administration

27. In the interim financial reports and statements for the year ended 31 December 1990, the total charges on the Emergency Reserve Fund are disclosed separately in statement VI, as recommended. This procedure will be followed consistently in the future.

Findings and comments of the Board of Auditors

28. This has been fully implemented.

Recommendation No. 2 of the Board report

29. The policy of recognizing cash advances to Governments in the accounts of UNICEF as programme expenditures must be supported by sufficient evidence on the effective utilization of these advances for purposes intended. In this connection, the following must be considered:

(i) A more effective procedure for advancing and monitoring cash advances to Governments should be instituted to ensure adequate compliance with the policy on timely liquidation of these advances;

(ii) The format of Form 153 should be reviewed to take account of the aging of advances and to include other relevant management information;

(iii) In order to facilitate monitoring, field offices should submit expenditure returns on cash advances directly to the Accounts Section;

(iv) Field offices should be directed to include the policy on cash advances in all memoranda of understanding with Governments. For example, as spelt out in Financial Circular No. 15, no further transfer of funds may be made if a certificate of utilization of prior financing is outstanding for more than six months.

Measures taken by Administration

30. UNICEF has taken the following steps to ensure appropriate monitoring and control of cash assistance to Governments:

(i) In October 1990, the Executive Director sent telexes to all heads of field offices, requesting timely reporting and appropriate management of cash advances to Governments and instructing them to obtain necessary documentation from Governments and to submit the required report to headquarters as soon as possible. In addition, at the initiative of the Comptroller, a high-level interdivisional task force was established to review and strengthen the control and management mechanism of advances to Governments. The task force will review accounting procedures, line of responsibilities and reporting structure of all parties involved, and recommend measures to improve the situation. The task force has started preparatory work and has scheduled a full two-week meeting for April 1991;

(ii) The format of the report submitted to headquarters by UNICEF field offices (Form 153) has been reviewed and redesigned to take account

of ageing of advances and will be implemented upon completion of the task force review;

(iii) A senior staff member of the Accounts Section of the Division of Financial Management has been assigned to analyse and follow up the reports from field offices on advances to Governments;

(iv) Upon completion of the task force review, field offices will be directed as to the necessary policy and procedures in line with the recommendations of the external auditors.

Findings and comments of the Board of Auditors

31. A number of measures, including improved reporting documentation and the establishment of an interdivisional task force, have been taken to review and strengthen the control and management of advances to Governments. However, considering the fact that the Task Force is scheduled to complete its work by 31 December 1991 it can be said that adequate remedial action can only be taken after that date.

32. Consequently, our review disclosed that as at 1990 advances continued to be granted to Governments although expenditures on the utilization of some previous advances had not been submitted. The recommendation has therefore been re-emphasized in an interim audit.

Recommendation No. 3 of the Board report

33. The Administration is urged to continue with its efforts of securing the review of UNICEF financial regulation 4.10 with a view to ensuring consistency in the recording of gains and losses on currency exchange.

Measures taken by Administration

34. Following Executive Board approval at its April 1990 regular session of the amendment to financial regulation 4.10 (decision 1990/28), a consistent approach in recording gains and losses is now being implemented. The revised regulation reads as follows: "Regulation 4.10: Differences resulting from the payment of contributions pledged in currencies other than United States dollars shall be recorded against these contributions".

Findings and comments of the Board of Auditors

35. This recommendation has been implemented.

Recommendation No. 4 of the Board report

36. The need to siphon excess liquidity into the provision of additional services should be considered.

Measures taken by Administration

37. With regard to the utilization of excess liquidity in convertible currencies, general resources expenditure for the current medium-term plan are at levels that will steadily reduce the general resources convertible cash balance to the required level of 10 per cent of general resources income by the end of 1993. With regard to the increase in non-convertible currency holdings, UNICEF is making every effort to utilize these holdings, although there have been some constraints because of the limited availability, in some cases, of appropriate goods and services to purchase.

Findings and comments of the Board of Auditors

38. The efforts of the Administration in seeking opportunities to utilize UNICEF's non-convertible currencies are acknowledged, although results were not immediately apparent. The considerable reduction in non-convertible currency at 31 December 1990 resulted from changes in exchange rates rather than from currency utilization.

Recommendation No. 5 of the Board report

39. In order to ensure accuracy and reliability of accounting data, the Administration should continue to explore the possibility of instituting effective action to improve the coding of accounts and to enhance the integrity of data at the field office level.

Measures taken by Administration

40. The Administration has supported training activities for field office personnel in all areas related to the submission of accounts in a correct and timely manner. At the same time, dialogues and studies are regularly undertaken to improve the electronic data processing systems for field office reporting of accounts to headquarters in order to further enhance data integrity.

Findings and comments of the Board of Auditors

41. The situation has shown a remarkable improvement. The suspense account balance reduced from $17 million to a mere $145,999.00 as at 25 April 1991.

Recommendation No. 6 of the Board report

42. Project planning should adequately articulate implementation requirements to enhance programme delivery. In addition, circumspection is advised in the reallocation of funds from slow-moving projects to fast-moving ones, so that the policy does not result in the unconscious neglect of projects located in "difficult" areas which have perennial implementation problems.

Measures taken by Administration

43. UNICEF has been making continuous efforts to enhance programme delivery, not only in terms of overall implementation, but also in terms of specific needs and priorities of the country programmes. Preliminary data show that the implementation of country programmes in 1990, as compared to 1989, improved in terms of overall implementation and number of countries with a low implementation rate, as shown in the following table:

	1989			1990		
	SF	GR	All funds	SF	GR	All funds
Total call forward level (in millions of United States dollars)	320	261	581	305	324	629
Number of countries with low implementation rate (below 75 per cent)	48	15	35	37	13	16
Implementation rate (per cent) (global)	76	91	82	79	91	85

SF = supplementary funds

GR = general resources

44. The level of call forwards in 1990 increased by 8 per cent from $581 million in 1989 to $629 million in 1990. Correspondingly, the number of countries with low implementation rates (below 75 per cent) for combined sources of funding was reduced by one half, from 35 to 16 countries. Only 6 out of 44 countries in Africa had low implementation rates in 1990, as compared to 18 in 1989. Of the six countries, two were facing emergency situations, three were managed by sub-offices and one by a newly established country office.

Findings and comments of the Board of Auditors

45. Delivery of country programmes showed a slight improvement in terms of overall implementation. The number of countries with a low implementation rate also showed a downward trend over the 1989 figures. It is, however, difficult to attribute this improvement to any specific measures undertaken in the course of 1990.

Recommendation No. 7 of the Board report

46. The monitoring of project implementation needs further improvement so that over-expenditures that would otherwise be absorbed by general resources in the absence of supplementary funding could either be eliminated or kept to a minimum.

Measures taken by Administration

47. The administration is aware of the issue raised by recommendation 7, and one of the principal thrusts for 1991 will be improved monitoring of programme implementation, both quantitatively and qualitatively. While accepting the validity of this recommendation, the administration believes over-expenditure would be unavoidable in some selected cases because of price fluctuations of the orders placed, depending on the place of origin. However, strict scrutiny will be observed so that it is kept to a minimum.

Findings and comments of the Board of Auditors

48. Over-expenditures on supplementary-funded programmes persisted in 1990. Interdivisional efforts are ongoing to improve programme budget administration.

Recommendation No. 8 of the Board report

49. With the rate of expansion in the operational activities of UNICEF, which has exceeded the staff resources, it will be necessary for the administration to take steps to assess staff needs, especially of the operational divisions, with a view to taking appropriate corrective action.

Measures taken by Administration

50. In 1990, the Budget Planning and Review Committee of UNICEF conducted a comprehensive review of the staff resource requirements of all UNICEF offices, including operational divisions, to maximize utilization of resources and to meet the challenging goals of the organization. The outcome of the review is reflected in the proposed budget for the biennium 1992-1993 (E/ICEF/1991/AB/L.1), which includes the necessary strengthening of operational functions, both at headquarters and field offices, within the constraints of expected resource affordability.

Findings and comments of the Board of Auditors

51. A review of the staff needs has been completed and reflected in the proposed programme budget for the biennium 1992-1993 (E/ICEF/1991/AB/L.1) pending the approval of the Executive Board.

Recommendation No. 9 of the Board report

52. During fund-raising activities, prospective donors should be encouraged to provide sufficient information on their contributions in order to facilitate their accounting, acknowledgement and effective utilization. In this connection, a standard advice form indicating the relevant information may be completed by donors.

Measures taken by Administration

53. The Administration supports the recommendation that a standard form should be designed for donor use and agrees with the auditors that it is necessary to alert donors to the needs of UNICEF. To this end, the Administration has requested donors to indicate the purpose of funds when payment is received.

Findings and comments of the Board of Auditors

54. Sufficient information on contributions is still lacking. During our interim audit we reiterated the need to improve information flow between UNICEF and donors to facilitate recording and reporting of contributions.

Recommendation No. 10 of the Board report

55. Payment of bills should as far as possible be delayed until the last date in order to explore the possibility of obtaining maximum returns on monies that can be put into short-term investments.

Measures taken by Administration

56. Additional care, especially in the past year, has been taken by the Administration to ensure that payments are made as close to the due date as possible, while at the same time avoiding incurring charges for late payments.

Findings and comments of the Board of Auditors

57. It has been implemented.

Recommendation No. 11 of the Board report

58. The existing procedures for reporting staff indebtedness before the payment of the final cash advance on separation require adequate monitoring so that all monies due from separating staff members can be fully and promptly recovered prior to separation.

Measures taken by Administration

59. The administration has taken steps to strengthen overall control over staff personal accounts. The integration of all staff-related accounts under one supervisor will be implemented in 1991 to further streamline existing procedures and ensure adequate monitoring thereof. In the meantime, efforts are being intensified to review and ensure correctness of account balances.

Findings and comments of the Board of Auditors

60. Stringent measures have been put in place (i.e. confirmations are sought from both Personnel and Accounts) before payments are made to staff on separation. Additionally, a Committee has recently been set up to redesign the staff personal account. It is expected to complete its work before the end of 1991.

Recommendation No. 12 of the Board report

61. The need for the centralized control of "attractive" inventory items, such as computers and vehicles, should be considered. For this purpose, field offices should submit copies of their inventory as of 31 December each year to be reflected in the headquarters master inventory list.

Measures taken by Administration

62. Implementation of the recommendation was undertaken by the Administration in 1990, resulting in the full compliance by all field offices in submitting their 1989 Inventory List of Non-Expendable Property. The necessary follow-up will be made to ensure consistent implementation of the recommendation in subsequent years.

Findings and comments of the Board of Auditors

63. This recommendation has been carried out.

Recommendation No. 13 of the Board report

64. Action should be taken to ensure the conclusion of a formal and adequate custodial arrangement of UNICEF drugs and equipment in a field office.

Measures taken by Administration

65. A new country office had been established to facilitate operations in that country and corrective measures are being taken to ensure adequate custodial procedures. The effectiveness of the measures to avoid non-recurrence of the finding will be properly evaluated.

Findings and comments of the Board of Auditors

66. Beyond advising on the establishment of a new country office, it is not apparent what specific measures have been introduced to ensure effective custodial arrangements for drugs and equipment in that field office. Also, the effectiveness of such measures are yet to be adequately evaluated by the Administration.

Recommendation No. 14 of the Board report

67. UNICEF must strictly adhere to its policy of refraining from contracting construction projects with high commitments that might overburden its financial resources in the event that counterpart contributions are not forthcoming.

Measures taken by Administration

68. In response to the recommendation, the policy on support for construction activities was reviewed, and the Administration gave instructions that discouraged contracting construction projects in principle and that these be undertaken only when deemed exceptionally necessary after due consultation with headquarters.

Findings and comments of the Board of Auditors

69. No specific instructions had been issued during our evaluation. The Administration rather informed us that the issue was explained and discussed at a meeting of all Regional Representatives.

Recommendation No. 15 of the Board report

70. The requesting units of the Greeting Card Operation should be required to allow adequate lead time in their requisitions in order to ensure that materials are procured under optimum delivery, price and quality conditions.

Measures taken by Administration

71. Greeting Card Operation management agreed with the recommendation and has been reviewing the appropriate procedures to ensure that materials are procured under optimum delivery, price and quality conditions. In order to allow adequate lead time, an improved process of forward planning and ordering system is under consideration, in cooperation with the relevant United Nations Committees for UNICEF.

Findings and comments of the Board of Auditors

72. The implementation of this recommendation will be assessed during our next audit visit to the appropriate UNICEF Greeting Card Operation office.

United Nations Environment Programme
(Supplement No. 5F (A/45/5/Add.6))

Recommendation No. 1 of the Board report

73. Adequate competition in procurement should be encouraged in order to provide a greater latitude of choice and lower costs. In addition, suppliers with poor performance records should not be considered for future awards.

Measures taken by Administration

74. UNEP encourages adequate competition in procurement and regularly updates and extends the register of potential bidders to ensure wider distribution and more representative assortment of bids. The Administration also persists in its efforts to ensure the timely delivery of goods and services by its suppliers and to avoid delays in clearance of goods at ports as far as possible.

Findings and comments of the Board of Auditors

75. The recommendation has been implemented. We noted satisfactory internal control over the procurement function. However a few delays in the delivery of supplies persisted.

Recommendation No. 2 of the Board report

76. Efforts to monitor timely submission of project expenditures should continue so that financial statements will reflect all project expenditures in the financial period.

Measures taken by Administration

77. The monitoring procedures for the reporting of project expenditures by executing agencies were strengthened to ensure regular and timely submission of project expenditures. In fact, in 1988-1989 the auditors recognized that the record of submission of project expenditures was better than in any previous year.

Findings and comments of the Board of Auditors

78. Timely and effective monitoring of project expenditures was sustained.

Recommendation No. 3 of the Board report

79. A standard advice form, which would indicate, inter alia, the date of deposit, name of donor, amount and purpose, should be introduced to facilitate the prompt accounting for contributions.

Measures taken by Administration

80. Whether the recording of contributions would be facilitated by the use of standard advice forms is in some doubt but this recommendation is being investigated further.

Findings and comments of the Board of Auditors

81. The Administration has implemented this recommendation only in cases where prompt and accurate accounting of contributions require the issue of advice forms. The Board will review in its future audits the effectiveness of the partial implementation of the recommendation being applied by the Administration and will report accordingly.

Recommendation No. 4 of the Board report

82. Existing procedures should be further strengthened in order to ensure the timely submission of travel claims and to facilitate the liquidation of travel advances.

Measures taken by Administration

83. Steps have also been taken for the strengthening of monitoring procedures to ensure the timely liquidation of travel advances.

Findings and comments of the Board of Auditors

84. Timely submission of travel claims and prompt liquidation of travel advances by regular staff members was noted. However, delays in their submission by non-staff members were observed.

United Nations Habitat and Human Settlements Foundation
(Supplement No. 5H (A/45/5/Add.8))

Recommendation No. 1 of the Board report

85. The cash management function should further be improved within the limitations of staff resources by the establishment of clearly defined lines of authority and responsibilities in order to enhance accountability.

Measures taken by Administration

86. The overlapping of responsibilities in the Finance Section in the previous biennium was unavoidable primarily because of increase in project activities and secondly because of the retrenchment exercise. However, despite the fact that the workload in the Section has increased tremendously with no corresponding or significant increase in the number of staff, corrective steps have been taken to the extent possible to adhere to the audit recommendation.

Findings and comments of the Board of Auditors

87. Although measures were taken to reassign certain functions, it was not possible to adequately eliminate overlapping of responsibilities in the Finance and Personnel Sections due to staff constraints.

Recommendation No. 2 of the Board report

88. Appropriate effective action should be taken to ensure the timely submission of performance evaluation reports in order to afford prompt deletion from the payroll of the names of those employees whose contracts have expired.

Measures taken by Administration

89. The administrative measures taken to minimize delays in timely submission of performance evaluation reports in order to give adequate time for preparation of P5 actions to be completed before the expiry of existing staff members' appointments have been fully implemented. However, with regard to the timely extension of field experts contracts, the delaying factors as were explained in our responses to the audit observation are still unavoidable although improved.

Findings and comments of the Board of Auditors

90. The recommendation has been implemented; nevertheless opportunities for further improvement exist.

Recommendation No. 3 of the Board report

91. Project delivery should be further improved through the elimination of delays in the signing of project documents and through adequate monitoring and effective procurement action.

Measures taken by Administration

92. While the Centre has attempted to implement some of the recommendations that were practically possible in project planning and timely implementation of project execution, the major obstacles that hinder project activities from getting off the ground as were mentioned in our response to the audit observations still prevail. Nevertheless, the projects delivery figure for the first year of the biennium 1990-1991 as compared to the prior financial year of the same period clearly indicates noticeable improvement in project implementation.

Findings and comments by the Board of Auditors

93. The implementation of this recommendation is ongoing and a significant improvement in project delivery in 1990 was observed in our interim audit.

Recommendation No. 4 of the Board report

94. The United Nations Centre for Human Settlements should continue its efforts in the collection of pledges to ensure a further reduction in the status of overdue pledges receivable.

Measures taken by Administration

95. As a result of continued vigorous collection efforts during the first year of the current financial period the combined outstanding pledges for the Foundation and the International Year of Shelter for the Homeless for the prior years and 1990 amounted to only $371,364.00. This trend of continuous decline in outstanding pledges is expected to prevail during the second year of the biennium 1990-1991.

Findings and comments of the Board of Auditors

96. Implementation of the recommendation is confirmed by further improvement in the payment of pledges during the first year of the 1990-1991 biennium.

United Nations University
(Supplement No. 5 (A/45/5, vol. III))

Recommendation No. 1 of the Board report

97. Investment transactions should be taken up in the accounts on the date of receipt of confirmation of investment placement.

Measures taken by Administration

98. With regard to the recommendations of the Board concerning the investment management of the University funds, this matter has been under serious consideration by the Council of the University. Following extensive consultations with the appropriate officials at the United Nations Headquarters, as well as the Advisory Committee on Administrative and Budgetary Questions, I am pleased to inform you that the new investment management arrangements came into force on 1 April 1991. Furthermore, we have taken due note of the observations and the recommendations of the Board and it is the intention of the University to ensure the availability of accurate and timely investment information at all times.

Findings and comments of the Board of Auditors

99. This recommendation has been implemented.

Recommendation No. 2 of the Board report

100. Adequate procedures should be established in order to ensure the availability of accurate and timely investment information. In addition, a review of investment opportunities in favour of long term placements should be considered.

Measures taken by Administration

101. See No. 2 above.

Findings and comments of the Board of Auditors

102. New investment management arrangements came into force on 1 April 1991. Under the new arrangements the United Nations University intends to establish effective procedures to ensure the availability of accurate and timely investment information at all times.

103. The extent to which the new arrangements will effectively address the issues raised in the recommendation will be reviewed in our future audits.

Recommendation No. 3 of the Board report

104. Monitoring procedures should be improved in order to ensure the timely submission of travel claims and the prompt accounting for travel advances.

Measures taken by Administration

105. With regard to the timely submission of travel claims and other travel related matters, the University has continued to stress the importance of the timely submission of travel claims and undertakes periodical reviews in this connection with a view to further improving the travel control procedures.

Findings and comments of the Board of Auditors

106. Our evaluation of action taken to address the late submission of travel claims disclosed the need for further improvement. Significant delays which were blamed, in part, on heavy workload persisted.

Recommendation No. 4 of the Board report

107. The Administration should ensure the early finalization of the new procedures for programme planning and management in order to enhance programme delivery.

Measures taken by Administration

108. The new procedures for programme planning and management have been approved by the Council of the University and circulated to all concerned for implementation.

Findings and comments of the Board of Auditors

109. It is confirmed that the new procedures have been completed and circulated for implementation. The evaluation of the effectiveness of these procedures will be an ongoing process in our future audits.

Recommendation Nos. 5 and 6 of the Board report

110. WIDER should examine the feasibility of producing its own financial regulations and rules to cater for its specific needs and to ensure consistency of application of rules and procedures.

111. The Institute should continue with its efforts to complete the development of its copyright policies and publications procedures for distribution to its publishers and researchers.

Measures taken by Administration

112. With regard to UNU/WIDER's financial regulations and rules, it should be noted that UNU/WIDER is an integral part of the United Nations University, and therefore its financial operations should be regulated by the Financial Regulations and Rules of the United Nations as applicable to the United Nations University.

113. With regard to UNU/WIDER's copyright policies, UNU/WIDER being an integral part of the United Nations University, the provisions of the United Nations University Policy on Scholarly Publishing, which was approved by the University Council in 1979, are applicable to UNU/WIDER.

Findings and comments of the Board of Auditors

114. In the light of further comments provided by the United Nations University, the Board does not intend to pursue the implementation of these recommendations.

International Trade Centre
(Supplement No. 5 (A/45/5, vol. II))

Recommendation 6 (a) of the Board report

115. The review of all cases where ITC may deviate from United Nations regulations, rules and directives should be completed as at the end of the biennium 1990-1991.

Measures taken by Administration

116. The Administration stated that the matter will be discussed with United Nations Controller in order to determine, before the end of this year, whether ITC can be exempt from observing the procedural provisions of ST/AI/285 in their entirety can be waived for ITC or whether there are now reasons for ITC to establish its own internal procedures with the agreement of the United Nations.

Findings and comments of the Board of Auditors

117. In the view of the Board, the question of whether or not the Centre has to comply with United Nations administrative instructions should be cleared in general and not only with respect to ST/AI/285. The Board has prepared an interim mid-biennium report to the General Assembly on this issue.

Recommendation 6 (b) of the Board report

118. Unpaid contributions for Trust Fund projects for future financial periods should be recorded in the financial statements in a manner consistent with the accounting of unspent UNDP allocations.

Measures taken by Administration

119. The Administration stated that it had accepted the Board's recommendations to account for unpaid Trust Fund contributions for future years in the same way as UNDP allocations; however, so far it had not been possible to arrive at a method for calculating those contributions which are to be treated as deferred income because of variations in the ways donors approve project contributions, i.e. some donors approve a global grant for one year, others approve individual projects with a duration of several years; some of the latter agree the funding for each year of the project separately, while others approve funds for the life of the project. Only with regard to the latter would it be likely that some pledged contributions for future periods would require to be considered as deferred income. At present, these could only be identified by a review of each and every project, and it is to be hoped that a less time-consuming procedure can be found for arriving at a reliable figure for the assets and liabilities' section of Statement V of the Centre's Financial Statements. It might even be necessary, in order to avoid any significant inaccuracies in the valuation of these items, to limit the reference to unpaid contribution for future periods to a footnote in the financial statements.

Findings and comments of the Board of Auditors

120. The Board is of the opinion that the procedure for identifying unpaid contributions for future financial periods can be facilitated by automatically attributing pledges and payments right from the beginning to the period to which they relate.

Recommendation 6 (c) of the Board report

121. Any deviation from the operating reserve level required by United Nations instructions should be authorized by the United Nations Secretariat. At any rate, taking into account the general increase of prices and the considerable increase of the Centre's activities, an appropriate adjustment of the reserve should be considered.

Measures taken by Administration

122. The Administration has pointed out that the reserve maintained by ITC, and included in the liabilities of Statement V, is not an operating reserve of the type described in ST/AI/285 but a reserve specifically established for the variance between the actual and standard costs of experts' services (paras. 1 (x) and 1 (xii) of the Centre's Summary of Significant Accounting Policies refer). It has consistently maintained that given the terms of the agreement which ITC has negotiated with donor Governments whereby interest earned from the investment of trust funds may be employed to maintain this reserve at the agreed level of $700,000, an operating reserve at the level mentioned in ST/AI/285 is not required for ITC's trust funds. All projects were fully funded, i.e. there were no contingent liabilities which could not be covered by either (i) the standard cost system linked with the Centre's agreement with the donors to make use of trust fund interest or (ii) project allocations.

Findings and comments of the Board of Auditors

123. The Board took note that whereas previously it was not always clear whether the total contribution of one donor or a single project constitutes a trust fund, ITC has now decided to consider the total technical cooperation programme financed by contributions from donors a single trust fund. In this case the trust fund was a typical "multiple project" trust fund for which United Nations administrative instructions require an operating reserve at a level of 15 per cent of the annual estimated expenditures. If the Centre holds the view that for certain reasons such an operating reserve is not necessary, ITC should seek Headquarters' approval to deviate from administrative instructions in such an important matter.

Recommendation 6 (d) and 6 (e) of the Board report

124. The significant increase of unliquidated obligations related to technical cooperation activities calls for a thorough analysis of the operational aspects of project implementation to ensure a smoother delivery of project output over the whole financial period and to avoid a further increase of unliquidated obligations at the end of the financial period. Project planning should become more realistic by taking into account foreseeable delays when work plans and budget plans are prepared.

Measures taken by Administration

125. The Administration informed the Board that it had reviewed the operational aspects of project implementation and concluded that there are no structural impediments to the smooth implementation of project activities throughout the year. The proportions of unliquidated obligations recorded for training and equipment were not unusual. The increase in the proportion of the total unliquidated obligations recorded as of 31 December 1989, which was attributable to equipment to which the auditors drew attention, resulted from the placement of several high value purchase orders at the end of 1989. The increase in the unliquidated obligations recorded for training was no more than the normal type of variation in operational activities which could be expected to result from the setting by ITC of different programme priorities. Overall the level of outstanding obligations and their validity were borne out by the ratio of liquidations in the subsequent financial period.

Findings and comments of the Board of Auditors

126. Due to the delay of ITC's response, the Board was not in a position to verify the Centre's analysis. It will follow up on that matter during future audits.